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TO: The Honorable James R. Fannin, Chairman Joint Legislative Committee on the Budget (JLCB)  
Honorable Members of the Joint Legislative Committee on the Budget (JLCB)

FROM: John D. Carpenter, Legislative Fiscal Officer

DATE: February 18, 2015

SUBJECT: FY 15 Mid-Year Reduction Analysis (Round 2)

The Revenue Estimating Conference (REC) met on 1/26/2015 and reduced the state tax revenue forecasts for the second time this fiscal year. The State General Fund (SGF) reduction totaled \$126 M; the REC also recognized an increase in Transportation Trust Fund transfers into the SGF in the amount of \$22.5 M, which had been approved as part of the FY 12 Deficit Reduction Plan (December 2011). As a result, the net SGF reduction totaled \$103.5 M. In response, the Division of Administration (DOA) offered a second mid-year deficit elimination plan on 2/6/2015, which anticipates expenditure reductions totaling \$67 M and revenue offsets totaling \$42.8 M. The plan is being presented to the Joint Legislative Committee on the Budget (JLCB) for approval.

The Legislative Fiscal Office has reviewed the proposed adjustments and is providing highlights of the adjustments. The review is broken down into 3 categories as follows: 1) Reductions, which will be approved in-house by the Office of Planning & Budget (OPB) under the authority of the Governor's Executive Order; 2) Reductions, which will be implemented through a combination of both OPB and JLCB actions; and 3) Resources that are being utilized as offsets. Additionally, this memo provides a summary of budget reductions to the Elected Officials. In addition, the LFO is providing an update on the FY 16 implications of the FY 15 mid-year solution (Round 2). Table 6 is an updated version of the LFO's FY 16 financing replacement list.

Table 1 below reflects the net SGF and Non-SGF reductions to alleviate the FY 15 deficit (Round 2). The net impact after accounting for the resource offsets is an aggregate reduction of \$60.6 M.

| Table 1  |                 |                |                 |                             |
|--|-----------------|----------------|-----------------|-----------------------------|
| NET SGF REDUCTIONS AND NET NON-SGF REDUCTIONS TO ALLEVIATE FY 15 DEFICIT (ROUND 2) |                 |                |                 |                             |
| FY 15 SGF Revenue Forecast Reduction (1/26/2015)                                   |                 |                | (\$126,000,000) | Total SGF Revenue Reduction |
| TTF Transfer into the SGF (FY 12 Deficit Reduction Plan)                           |                 |                | \$22,500,000    | TTF Transfer to SGF         |
| Net FY 15 SGF Mid-Year Deficit Problem (Round 2)                                   |                 |                | (\$103,500,000) |                             |
|  | Executive Order | JLCB           | Total           | Action Needed               |
| SGF Reductions   | (\$67,066,176)  | (\$3,937,784)  | (\$71,003,960)  |                             |
| Statutorily Dedicated Fund Reductions  | \$0             | (\$26,433,740) | (\$26,433,740)  |                             |
| SGR Reductions   | \$0             | (\$6,022,345)  | (\$6,022,345)   |                             |
| IAT Reductions   | \$0             | (\$39,955)     | (\$39,955)      |                             |
| Sub-Total of Reductions  | (\$67,066,176)  | (\$36,433,824) | (\$103,500,000) |                             |
| Offset: Military Federal Funds   | \$0             | \$1,394,617    | \$1,394,617     | JLCB Approval               |
| Offset: Concealed Handgun Funds  | \$0             | \$939,570      | \$939,570       | JLCB Approval               |
| Offset: LDR Self-generated Revenues (Overcollections Fund)                         | \$0             | \$11,100,000   | \$11,100,000    | JLCB Approval               |
| Offset: DEQ Motor Fuels Underground Tank Fund (Overcollections Fund)               | \$0             | \$8,000,000    | \$8,000,000     | JLCB Approval               |
| Offset: Riverboat Gaming Enforcement Funds (Overcollections Fund)                  | \$0             | \$8,200,000    | \$8,200,000     | JLCB Approval               |
| Offset: Telephone Company Property Assessment Relief Fund (Overcollections Fund)   | \$0             | \$13,206,438   | \$13,206,438    | JLCB Approval               |
| Offset: Construction Litigation Funds (DOA Auxillary Program)                      | \$43,000        | \$0            | \$43,000        | Executive Order             |
| Sub-Total of Revenue Offsets   | \$43,000        | \$42,840,625   | \$42,883,625    |                             |
| TOTAL NET IMPACT OF PLAN   | (\$67,023,176)  | \$6,406,801    | (\$60,616,375)  |                             |

**Adjustments Processed as In-House BA-7s**

Under the authority of the Executive Order, OPB will process in-house BA-7s reducing SGF expenditures a total of \$67 M. While the majority of the reductions were achieved primarily through targeted contract reductions, travel and operating services, less prevalent were savings achieved through attrition, hiring freeze and not filling vacant positions. Significant reductions include:

- Office of Public Health (\$1,705,122) – The majority of the deficit reduction in OPH eliminates a quarterly payment enhancement of \$1.5 M to Federally Qualified Health Centers (FQHCs). During the 2015 Legislative Session, approximately \$6 M of SGF was placed in OPH’s budget for enhanced payments to FQHCs. These funds provided services to the uninsured in FQHCs. The funding is allocated to FQHCs based on the number of uninsured patient visits for each clinic qualified to receive funding (excluding federally qualified health clinics in the Greater New Orleans Community Health Connection (GNOCHC). Traditionally, FQHCs are reimbursed on a per visit basis under a Prospective Payment System (PPS) with Title 19 Medicaid funds through Medical Vendor Payments (MVP) program. FQHCs will continue to receive their mandated reimbursement rates, which are higher than standard Medicaid reimbursement for standard physician visits.
- Supplemental Pay to Law Enforcement Personnel (\$3,000,000) – Supplemental Pay to law enforcement personnel is reduced a total of \$3 M. Through 7 months of payments, fewer eligible municipal police and firefighters have received supplemental pay than anticipated. These groups were appropriated \$72.3 M for supplemental pay and are projected to receive \$68.2 M based on the latest recipient count. The projected number of eligible Municipal Police Supplemental Pay participants decreased from 6,413 to 5,825 and the projected number of eligible Firefighters Supplemental Pay participants decreased from 5,637 to 5,442. The \$3 M decrease will leave approximately \$1.1 M in the event of more eligible recipients for the remainder of the year.
- DOA Debt Service & Maintenance (\$1,800,000) – The majority of the SGF reduction within DOA Debt Service & Maintenance is due to a bond refunding of existing debt. The DOA recently completed a partial refunding for 2007 Hurricane Recovery Bonds, which resulted in approximately \$1.6 M of annual debt service payment savings. The remaining SGF reduction is attributable to \$50,000 energy savings, \$328,000 of Alvarez & Marsal (A&M) contract savings (work order is duplicative of HCR 112 of 2014 study requirements), and remaining savings coming from attrition.

**Adjustments Implemented through a combination of JLCB approval and In-House BA-7s**

BA-7’s on the 2/20/2015 JLCB agenda require approval for an additional \$36.4 M in reductions. Many of these BA-7s have a corresponding reduction, which will be approved by OPB in house. The LFO analysis references those BA-7s, which have companions and identifies the full amount of the reduction. The LFO would like to draw attention to the following:

- Transportation Trust Fund (TTF) – Regular (BA-7 #15, #18, & #39) – Approximately \$16.7 M reduction in TTF-Regular to DOTD, including \$14.6 M to the capital outlay appropriation. The LFO assumes these reductions will be allocated to the Highway Priority Program. DOTD reports that the DOA will authorize the use of an additional \$5.5 M TTF-Regular recognized by the Revenue Estimating Conference (REC), \$5 M in proceeds from surplus property sales and \$500,000 in revenues from advertising on DOTD assets to backfill \$11 M of the proposed \$14.6 M capital outlay reduction in a subsequent action. This plan will require additional legislative action either through budget adjustment by the JLCB or supplemental appropriation by the legislature. The current REC estimate for the TTF adopted on 1/16/2015 exceeds the recommendation used in constructing the current year budget allocations (adopted on 5/19/2014) by a total of \$18.2 M. Of the \$18.2 M projected revenue growth, a separate action on the BA-7 agenda (BA-7 #18) allocates and appropriates \$6 M of that amount to the Office of State Police leaving an undesignated balance of \$12.2 M. The proposed reductions assume GEMS related savings of \$3 M in cost overrun reductions via implementation of a Quality Assurance & Control Engineering Team and \$500,000 by utilizing DOTD personnel in place of outside design and construction engineers. Table 2 is a summary of the aggregate TTF resources being utilized to solve for the two mid-year plans along with the existing TTF funds currently budgeted within State Police. As reflected in Table 2, a total of \$100 M of TTF resources may be utilized in non-DOTD related expenditures.

| Table 2   | Round 1       | Round 2        | Total           |
|---|---------------|----------------|-----------------|
| TTF Operating Expenditure Reductions (BA-7# 15)   | (\$6,104,000) | (\$2,071,000)  | (\$8,175,000)   |
| TTF Capital Outlay Expenditure Reductions (BA-7 #39)  | \$0           | (\$14,580,498) | (\$14,580,498)  |
| TTF State Police Budget Authority Increase (BA-7 #18)   | \$0           | (\$6,000,000)  | (\$6,000,000)   |
| TTF SGF Transfer (FY 12 Mid Year Deficit Plan)  | \$0           | (\$22,500,000) | (\$22,500,000)  |
| SUB-TOTAL   | (\$6,104,000) | (\$45,151,498) | (\$51,255,498)  |
| TTF EOB for State Police (before \$6 M Increase)  |               |                | (\$59,872,208)  |
| Potential Backfill of Capital Outlay Reductions (requires legislative action)                               |               |                | \$11,038,498    |
| Total Anticipated Net FY 15 TTF Resources Not Being Expended in DOTD and/or in the Highway Priority Program |               |                | (\$100,089,208) |

- Department of Public Safety (BA-7 #18) – Within the Office of State Police, two means of finance swaps take place involving the TTF, Riverboat Gaming Enforcement Fund and Concealed Handgun Permit Fund. As a result of additional TTF monies, the Riverboat Gaming Enforcement Fund appropriation within the Traffic Enforcement Program will be reduced by \$6 M and TTF-Regular will be increased by a like amount. In addition, Riverboat Gaming Enforcement Fund within the Operational Support Program will be reduced by \$939,000 and Concealed Handgun Permit Fund will be increased by a like amount. The \$6 M in Riverboat Gaming Enforcement Fund will likely be placed in the Overcollections Fund to be used by DHH – MVP to offset a portion of a \$42 M SGF reduction.
- Medical Vendor Payments (BA-7 #24) – The BA-7 increases Statutory Dedications in the amount of \$40,506,438. The source of Statutory Dedications includes various revenue sources projected to be collected in the Overcollections Fund. The specific sources that will be deposited into the Overcollections Fund include 1) \$11,100,000 in fees and self generated revenue from the LA Department of Revenue; 2) \$13,206,438 in available fund balance from the Telephone Company Property Assessment Relief Fund; 3) \$8 M from the DEQ Motor Fuels Underground Tank Fund; and 4) \$8,200,000 in Riverboat Gaming Enforcement Fund. This revenue will be utilized to offset a larger reduction in SGF in Medical Vendor Payments. The OPB will process a companion BA-7 reducing \$42,925,118 in SGF in house under the Governor’s Executive authority. *The full mid-year impact to Medical Vendor Payments is a net reduction of \$2,418,680.*

(\$42,925,118) SGF Reduction (OPB Approval)  
 \$40,506,438 Statutory Dedication Increase (JLCB Approval Required)  
 (\$2,418,680) Net Mid-Year Reduction to the MVP

The net reduction (\$2,305,190) to Medical Vendor Payments (Medicaid) will result in elimination of Disproportionate Share Hospital (DSH) payments for uncompensated care costs to eligible hospitals with Medical Emergency Room Extension (MHERE) programs, and a reduction in supplemental Medicaid payments to eligible Major Teaching hospitals related to extraordinary costs incurred for Medicaid patients diagnosed with hemophilia (\$113,490).

- \$11.1 M LA Department of Revenue (LDR) SGR (BA-7 #24) – Included in the backfill revenue of BA-7 #24 is \$11.1 M of LDR SGR that is presumed available due to the REC recognized SGR less appropriated within the LDR. It is anticipated that the upcoming funds bill (2015 Legislative Session) will include this transfer, which will occur only if the funds are available in excess of the appropriation once FY 15 is closed.

#### ***Resources utilized as offsets***

As noted in Table 1, the proposed adjustments include an increase of \$42.9 M, the majority of which is being deposited into the Overcollections Fund (\$40.5 M). The DOA proposes using these funds as a means of finance swap in the Medical Vendor Payments Program in the amount of \$40.5 M (see explanation on BA-7# 24). Table 3 provides an updated Overcollections Fund summary based upon the latest adopted revenue forecast and the various resources utilized in Round 1 and proposed resources to be utilized in Round 2.

| (Table 3)<br>Overcollections Fund                         | REC<br>Forecast<br>(1/26/2015)* | Round 1<br>Plan**   | Round 2<br>Plan     | Total<br>Budgeted   | Recognized FY<br>15 Resources<br>Still Available |
|---|---------------------------------|---------------------|---------------------|---------------------|--|
| Self Insurance Fund                                       | \$12,000,000                    | \$12,000,000        | \$0                 | \$12,000,000        | \$0  |
| Insurance Verification<br>Fund                            | \$15,000,000                    | \$15,000,000        | \$0                 | \$15,000,000        | \$0  |
| Riverboat Gaming<br>Enforcement                           | \$13,200,000                    | \$5,000,000         | \$8,200,000         | \$13,200,000        | \$0  |
| LA Office of State Building                               | \$500,000                       | \$473,213           | \$0                 | \$473,213           | \$26,787   |
| LDR SGR   | \$11,100,000                    | \$0                 | \$11,100,000        | \$11,100,000        | \$0  |
| Motor Fuels Underground<br>Tank Fund                      | \$8,000,000                     | \$0                 | \$8,000,000         | \$8,000,000         | \$0  |
| Employment Security<br>Administration Account             | \$3,540,000                     | \$0                 | \$0                 | \$0                 | \$3,540,000                                      |
| Penalty & Interest Account                                | \$4,200,000                     | \$0                 | \$0                 | \$0                 | \$4,200,000                                      |
| Telephone Community<br>Property Assessment Relief<br>Fund | \$30,000,000                    | \$0                 | \$13,206,438        | \$13,206,438        | \$16,793,562                                     |
| <b>TOTAL</b>  | <b>\$97,540,000</b>             | <b>\$32,473,213</b> | <b>\$40,506,438</b> | <b>\$72,979,651</b> | <b>\$24,560,349</b>                              |

\*The sources listed are those items anticipated to be collected above and beyond the \$102.24 M of FY 14 resources recognized as recurring.

\*\*Although the approximately \$32.5 M of resources were officially recognized at the last REC meeting (1/26/2015), these resources have not yet been appropriated to date and will likely be appropriated in the FY 15 supplemental appropriations bill. In addition, there is \$10,705,143 of Tax Amnesty resources (revenue offset to FY 15 SGF reductions in the Medicaid Program) that are included in the Round 1 Plan that have not been appropriated. These resources will likely be appropriated in the FY 15 supplemental appropriations bill.

Additionally, a \$1.4 M MOF swap in Military Affairs replaces SGF with Federal Funds, \$939,570 from the Concealed Handgun Permit Fund will replace a reduction to the Riverboat Gaming Enforcement Fund in the Office of State Police and a \$6 M MOF swap in TTF will replace funds from



the Riverboat Gaming Enforcement Fund in the Office of State Police. These “freed-up” Riverboat Gaming Enforcement Fund resources are being budgeted in the Medicaid Program. This budgetary mechanism represents \$6 M of the \$8.2 M being deposited into the Overcollections Fund (see BA-7 #18 description on pages 2 and 3 of this document).

**Elected Officials**

Table 4 provides a summary of the total reductions to expenditures proposed that will impact all the elected officials.

| Elected Officials Impact (Table 4) | FY 15 Mid-Year Reduction (Round 1) | FY 15 Mid-Year Reduction (Round 2) | TOTAL                 | Round 2 BA-7 Numbers          |
|------------------------------------|------------------------------------|------------------------------------|-----------------------|-------------------------------|
| Secretary of State                 | \$0                                | (\$931,593)                        | (\$931,593)           | In-house BA-7                 |
| Attorney General                   | \$0                                | (\$1,535,655)                      | (\$1,535,655)         | BA-7 #4                       |
| Lt. Governor                       | \$0                                | (\$74,143)                         | (\$74,143)            | In-house BA-7                 |
| Culture, Recreation & Tourism      | (\$185,469)                        | (\$3,488,871)                      | (\$3,674,340)         | BA-7 #s 9, 10, 11, 12, 13, 14 |
| State Treasurer                    | \$0                                | (\$491,102)                        | (\$491,102)           | BA-7 #5                       |
| Public Service Commission          | \$0                                | (\$12,750)                         | (\$12,750)            | BA-7 #6                       |
| Agriculture & Forestry             | (\$208,316)                        | (\$2,006,308)                      | (\$2,214,624)         | BA-7 #7 & In-house BA-7       |
| Commissioner of Insurance          | (\$232,771)                        | (\$1,383,935)                      | (\$1,616,706)         | BA-7 #8                       |
| <b>TOTAL EXPENDITURE REDUCTION</b> | <b>(\$626,556)</b>                 | <b>(\$9,924,357)</b>               | <b>(\$10,550,913)</b> |                               |

- Secretary of State (In House BA-7)* – Reductions to the Elections Program will result in postponing a special BESE election in March 2015 to instead coincide with regularly scheduled elections in October 2015, a hiring freeze for the Registrar of Voters, and a layoff of five filled positions in Voter Outreach Services. Operations in the Old State Capitol and the State Museum in Shreveport will be reduced to 3 days per week, smaller museums will be opened one day per week only, and there will be a layoff of 26 filled positions.
- Attorney General (BA-7# 4)* – The \$1.5 M reduction to the Attorney General’s Office reduces the statutorily dedicated LA Fund by \$1.1 M, Video Draw Poker Fund by \$100,000 and self-generated revenue by \$335,000. The \$1.1 reduction to the LA Fund prolongs technology upgrades related to Tobacco Arbitration, but does not affect the department in FY 15 as a result of delayed litigation. The \$100,000 reduction in the Video Draw Poker Fund is excess budget authority and the \$335,000 reduction to SGR is excess budget authority on legal representation fees paid by state boards and commissions. The AG is the legal representative of state boards and commissions.
- State Treasurer (BA7-# 5)* – The most significant reduction will impact the Debt Management Program in the amount of \$441,000. According to State Treasury, reductions will impact general network and website support, court reporting services for the Bond Commission meetings, software maintenance, acquisitions and renegotiating the current contract with Lamont. Lamont is currently the state’s financial advisor with a current total contract value of \$550,000. In addition, State Treasury anticipates renegotiating the state’s Central Banking Services contract (Chase Bank) that will result in anticipated current year expenditure savings in the amount of \$30,816. Chase Bank holds all the state’s bank accounts. Acquisitions are being reduced within the Administrative Program in the amount of \$19,286.
- Public Service Commission (BA-7 #6)* – This reduction represents savings from supplies and maintenance costs from vehicles that are considered underutilized (low mileage). Funds from the reductions were intended to pay for fuel and maintenance for Administrative, Support Services, Motor Carrier Registration, and District Offices vehicle usage in the Public Service Commission.
- Agriculture and Forestry (BA-7 #7)* – The Department has issued an early retirement incentive and will refrain from filling 36 vacant positions (6.5% of its workforce). Reductions to funding associated with the replacement of hardware and software will result in delays to the IT solution for online applications and payments. Reduced funding for fuel and aviation maintenance will impact wildfire detection and prevention efforts, as planes will be grounded until resources become available.
- Commissioner of Insurance (BA-7 #8)* – The second round of deficit reductions will reduce budget authority in the LA Department of Insurance (LDI) by \$1,383,935 (\$1,308,368 SGR, \$75,567 Statutory Dedications). In the Administrative Program, LDI will eliminate one unidentified vacant administrative position and associated personal services expenditures, will delay software upgrades (professional services) that were planned in the current year and will delay microfilming documents via Interagency Payments to the Secretary of State until funds are available. In the Market Compliance Program, LDI will eliminate six vacant positions (2 Insurance Supervisors, 2 Insurance Specialists, 1 Insurance Tech, and 1 Attorney) along with associated personal services expenditures, and will eliminate or reduce some planned accounting and auditing contract activities to examine insurance firms as well as reducing contract legal services. The department will prioritize expenditures on these activities and utilize internal resources to the degree possible given its remaining budget allocation.
- Lt. Gov./Culture, Recreation & Tourism (BA-7 #s 9, 10, 11, 12, 13 & 14)* – CRT will be losing a total of \$3.4 M across all departments resulting in a loss of 111 positions (106 from Parks, 5 from Library) and reduced operating hours for Parks, Museums, and State Library. State Library, Lt. Governor, Cultural Development, and Museums will cut educational resources, programs, and overall services provided. Tourism (\$78,870) and Parks (\$418,486) will lose additional repair and maintenance funding for their respective facilities statewide. Tourism will reduce marketing contracts by approximately \$700,000 and supplies for promotional

services by \$336,500, while Cultural Development will reduce funding for marketing outreach programs for small communities. The Office of the Secretary will cut \$17,500 in SGR from the Seafood Promotion Board, reducing outreach efforts for LA seafood by the Board.

**Summary of Both FY 15 Mid-Year Deficit Reduction Plans**

Table 5 provides a summary table of both FY 15 Mid Year Plans. This table is a brief illustration of the mechanism by which the aggregate \$297 M FY 15 SGF revenue reduction has been solved.

| TOTAL SOLUTION FOR \$297 M FY 15 SGF REVENUE FORECAST REDUCTIONS (Table 5) |                    |
|--|--------------------|
| TTF SGF Transfer (FY 12 Mid-Year Deficit Reduction Plan                    | (\$22.500)         |
| Total SGF Reductions (total of \$178.8 M in revenue offsets)               | (\$224.163)        |
| Total SGR Reductions   | (\$8.340)          |
| Total Statutorily Dedicated Fund Reductions                                | (\$41.449)         |
| Total IAT Reductions   | (\$0.040)          |
| <b>TOTAL</b>   | <b>(\$296.492)</b> |

*Note: The reason the total SGF reductions depicted above do not equate to \$297 M is due to approximately \$508,000 of FY 15 SGF resources still being available as was illustrated in the Division of Administration (DOA) presented SGF fiscal status statement at the October 2014 JLCB meeting, which is 1 month prior to the SGF FY 15 revenue forecast being reduced.*

**FY 16 Impact of Round 2 Plan**

Utilizing the \$42.9 M of other available resources for the FY 15 Mid-Year Deficit Reduction Plan will result in a like amount of FY 16 SGF need unless another source is identified or the expenditures these resources are supporting are reduced. Table 6 is an updated version of the LFO’s FY 16 financing replacement list.

Table 6 can be found on the next page.

| TABLE 6                                   |   |  |
|---|---|--|
| <u>Program/Source</u>                     | <u>Potential Financing Replacement in FY 16</u><br><i>(in millions)</i> | <u>FY 15 Funding Sources</u>   |
| MVP - Overcollections Fund                | \$266.3   | \$266.3 M REC Recurring Overcollections Fund - funds sweeps, various DOA SGR resources, Pharmaceutical Settlements, Self Insurance Fund, and Go Zone Bond Repayments. These resources are utilized to fund recurring Medicaid expenditures (09-306).   |
| MVP - Medicaid Trust Fund for the Elderly | \$232.7   | Monies will be exhausted in FY 15 and other resources will have to be identified in FY 16.   |
| MVP - 2013 Tax Amnesty Fund               | \$156.5   | Remaining Phase I & projected Phase II resources. Phase III collections are anticipated to be approximately \$100 M.   |
| Advanced Debt Payment - SGF               | \$210.0   | REC Non-Recurring Revenues & other revenues - LA Housing Corporation (\$25 M), DOJ Mortgage Settlement Funds (\$4.6 M) and SGF savings and reductions included in Act 55 (HB 1094) of 2014 (\$7.4 M) along with FY 13 Prior Year Surplus and FY 12 Rescinded Capital Outlay Projects are being utilized to fund the advance debt payment. The use of these resources frees up SGF that would otherwise have been utilized on GO bond debt payments. This budget mechanism is essentially a mechanism to get non-recurring resources into the state's operating budget.   |
| Bond Premium - SGF                        | \$34.2  | In FY 14 the state sold GO bonds that generated a bond premium. Much like the advanced debt payment discussed above, utilizing these resources reduces the amount of SGF allocated for debt payments. This resource basically frees-up a like amount of SGF to expend elsewhere in the FY 15 operating budget.   |
| Department of Revenue                     | \$20.0  | SGF need due to exhausting all retained SGR proceeds from the Tax Amnesty Program.   |
| TOPS Fund                                 | \$22.0  | Remaining proceeds from the Tobacco Refinancing. These funds will have to be replaced in FY 16 from the TOPS Fund in the TOPS Program.   |
| Health Insurance High Risk Pool           | \$16.0  | Senate Finance Committee amendments provide for the remaining proceeds from the LA Health Insurance High Risk Pool to be transferred to the Mega-Project Development Fund once the plan has paid all of its current obligations. This risk pool is no longer needed due to Affordable Care Act (ACA) requirements. These funds are utilized to pay economic development obligations in lieu of utilizing SGF.  |
| WISE Fund                                 | \$23.2  | \$12.15 M of CDBG Program Income and \$11 M of non-recurring Overcollections Fund resources are being utilized to fund the WISE Initiative (HB 1033) for FY 15. These resources will have to be replaced in FY 16 as the current version of Act 803 of 2014 (HB 1033) contemplates an annual program with at least \$40 M of appropriated resources obligated for this initiative.   |
| LA Lottery Reserves                       | \$9.0   | Senate Floor amendment to Act 646 (Funds Bill) provides for the LA Lottery Corporation to transfer \$9 M of its reserves to the State Treasury for deposit into the LA Mega-project Development Fund. These funds are utilized to pay economic development obligations in lieu of utilizing SGF.   |
| FY 15 Deficit Reduction Plan (Round 1)    | \$135.9   | The plan uses \$137.2 M in “excess” revenues from the Overcollections Fund, Tax Amnesty collections, other various unobligated fund balances and projected end of year fund balances from various other funds as well as reallocation of other appropriated resources. This budget mechanism, or refinancing of existing expenditures, ultimately resolves 80% of the \$171 M deficit. A Means of Financing (MOF) Swap will replace cuts made to the appropriated SGF budget with revenues from some of these fund balances once these resources have been recognized by the REC. The significant sources of funds include: \$34.2 M - Tax Amnesty collections, \$6.6 M - Health Excellence Fund, \$4.9 M - Medical Assistance Trust Fund, \$41 M - SGF/SGR/ IAT reversions, \$15 M - Insurance Verification Fund, \$12 M - ORM, and \$5 M - Riverboat Gaming Enforcement Fund.  |
| FY 15 Deficit Reduction Plan (Round 2)    | \$42.9  | The plan includes an increase of \$42.9 M, the majority of which is being deposited into the Overcollections Fund (\$40.5 M). The DOA proposes using these funds as a Means of Finance (MOF) swap in the Medical Vendor Payments Program in the amount of \$40.5 M Table 2 provides an updated Overcollections Fund summary based upon the latest adopted revenue forecast and the various resources utilized in round 1 and proposed resources to be utilized in round 2. Additionally, a \$1.4 M MOF swap in Military Affairs replaces SGF with Federal Funds, \$939,570 in Concealed Handgun Permit Funds will replace a reduction within the Riverboat Gaming Enforcement Fund in the Office of State Police and a \$6 M MOF swap in TTF will replace Riverboat Gaming Enforcement Funds in the Office of State Police. These “freed-up” Riverboat Gaming Enforcement Fund resources are being budgeted in the Medicaid Program. This budgetary mechanism represents the \$6 M of the \$8.2 M being deposited into the Overcollections Fund. |
| <b>TOTAL</b>                              | <b>\$1,168.7</b>  | <b>FY 16 POTENTIAL REPLACEMENT NEED</b>  |



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TO: The Honorable James R. Fannin, Chairman Joint Legislative Committee on the Budget (JLCB)  
Honorable Members of the Joint Legislative Committee on the Budget (JLCB)

FROM: Jodi Mauroner, Education Section Director  
J. Travis McIlwain, General Government Section Director  
John D. Carpenter, Legislative Fiscal Officer

DATE: December 18, 2014

SUBJECT: FY 15 Mid-Year Reduction Analysis (Round 1)

On 11/14/2014 the Revenue Estimating Conference (REC) adopted a revised revenue forecast reducing FY 15 revenues by \$171 M. In anticipation of the forecast change, the Governor issued Executive Order BJ 2014-16 directing an expenditure freeze for Executive Branch state agencies. On 11/21/2014, the Division of Administration (DOA) presented the FY 15 Mid-Year Deficit Elimination Plan to the JLCB to address the shortfall with total funding adjustments of \$179.6 M. The proposed plan uses targeted SGF expenditure reductions of \$33.3 M in contracts, operating expenses such as supplies and travel, and salaries and related benefits for vacant positions. Other reductions were made to programs with projected excess funds due to lower than anticipated participation and utilization rates, as well as reductions to operating expenses of some elected officials (Commissioner of Agriculture & Forestry, Commissioner of Insurance).

Additionally, the plan uses \$137.2 M in "excess" revenues from the Overcollections Fund, Tax Amnesty collections, other various unobligated fund balances and projected end of year fund balances from various other funds as well as reallocation of appropriated resources. This budget mechanism, or refinancing of existing expenditures, ultimately resolves 77% of the \$179.6 M deficit. A Means of Financing (MOF) Swap will replace cuts made to the appropriated SGF budget with revenues from some of these fund balances once these resources have been recognized by the REC.

Finally, the plan anticipates utilizing \$9 M in Transportation Trust Fund (TTF-Regular) budgeted in the Capital Outlay Bill. These reductions are associated with the Alvarez and Marsal (A&M) GEMS recommendations. The LFO questions the feasibility that this amount of savings can be generated from the GEMS recommendations within the Highway Priority Program. The total TTF-Regular appropriated to the program \$34.2 M in FY 15. The projected savings, which the LFO assumes would be derived primarily through the use of in-house DOTD design and construction engineers, total 26% of the TTF appropriation.

Table 1 provides a brief summary of the plan, which breaks down the total SGF reductions that will be completed via the governor's unilateral budget balancing authority and those proposed reductions that must be approved by the JLCB. Also included within the summary table is a listing

| NET SGF REDUCTIONS AND NET NON-SGF REDUCTIONS TO ALLVIATE FY 15 DEFICIT |                        |                       |                        |
|---|------------------------|-----------------------|------------------------|
| TABLE 1   | Exec. Order            | JLCB                  | TOTAL                  |
| SGF Reductions  | (\$153,080,648)        | (\$78,501)            | (\$153,159,149)        |
| Statutorily Dedicated Fund Reductions*                                  | \$0                    | (\$24,057,098)        | (\$24,057,098)         |
| SGR Reductions*   | \$0                    | (\$2,317,345)         | (\$2,317,345)          |
| <b>Total Reduction</b>  | <b>(\$153,080,648)</b> | <b>(\$26,452,944)</b> | <b>(\$179,533,592)</b> |
| Offset: DOA Existing SGR Freed-Up & State Land Funds                    | \$1,820,251            | \$0                   | \$1,820,251            |
| Offset: 2013 Tax Amnesty Fund Proceeds                                  | \$34,153,360           | \$0                   | \$34,153,360           |
| Offset: Health Excellence Fund  | \$7,919,155            | \$0                   | \$7,919,155            |
| Offset: Medical Assistance Trust Fund                                   | \$4,900,000            | \$0                   | \$4,900,000            |
| Offset: Overcollections Fund (SGF Reversions)                           | \$12,400,000           | \$0                   | \$12,400,000           |
| Offset: Overcollections Fund (SGR/IAT Reversions)                       | \$28,600,000           | \$0                   | \$28,600,000           |
| Offset: Overcollections Fund (FEMA Reimbursements)                      | \$6,000,000            | \$0                   | \$6,000,000            |
| Offset: Insurance Verification Fund Anticipated Proceeds                | \$15,000,000           | \$0                   | \$15,000,000           |
| Offset: Risk Mgmt Proceeds  | \$12,000,000           | \$0                   | \$12,000,000           |
| Offset: Riverboat Gaming Enforcement Fund                               | \$5,000,000            | \$0                   | \$5,000,000            |
| Offset: Resources from LA Office Building Corporation                   | \$473,213              | \$0                   | \$473,213              |
| Offset: TOPS Fund   | \$4,946,681            | \$0                   | \$4,946,681            |
| Offset: Lottery Fund Anticipated Proceeds                               | \$1,123,045            | \$0                   | \$1,123,045            |
| Offset: Mineral & Energy Operations Fund                                | \$363,319              | \$325,046             | \$688,365              |
| Offset: SGR from LED Debt Service                                       | \$1,421,499            | \$78,501              | \$1,500,000            |
| Offset: Education Excellence Fund                                       | \$0                    | \$669,411             | \$669,411              |
| <b>TOTAL NET IMPACT</b>   | <b>(\$16,960,125)</b>  | <b>(\$25,379,986)</b> | <b>(\$42,340,111)</b>  |



*\*The 2015 Funds Bill will likely transfer resources from the SGR and statutorily dedicated fund resources into the SGF. Essentially, the Deficit Reduction plan reduces the budget authority of these appropriated funds, which in turn “creates a fund balance” that will be transferred by State Treasury into the SGF to assist in alleviating the deficit. Thus, this plan is contingent upon the passage of the funds bill during the 2015 legislative session.*

Utilizing the \$137 M of other available resources for the FY 15 Mid-Year Deficit Reduction Plan will result in a like amount of FY 16 SGF need unless another source is identified or the expenditures these resources are supporting are reduced.







John D. Carpenter  
Legislative Fiscal Officer

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TO: The Honorable James R. Fannin, Chairman Joint Legislative Committee on the Budget (JLCB)  
Honorable Members of the Joint Legislative Committee on the Budget (JLCB)

FROM: John D. Carpenter, Legislative Fiscal Officer

DATE: December 18, 2014

SUBJECT: FY 15 Mid-Year Deficit Reduction Changes (BA-7 Analysis)

On 11/21/2014, the Division of Administration (DOA) presented the FY 15 Mid-Year Deficit Elimination Plan to the Joint Legislative Committee on the Budget (JLCB) to address the shortfall with total funding adjustments of \$179.6 M. The DOA provided a presentation to the committee as to the specific details for this plan.

The Legislative Fiscal Office has reviewed the BA-7s submitted to the committee and is providing the committee the **significant** changes to the original plan as presented. The significant changes include those reductions that differ from the original DOA Power Point presentation and those reductions that were not explicitly detailed in that same presentation. The significant changes will be broken into 3 categories as follows: 1) Adjustments being presented for JLCB approval, 2) Adjustments being processed in-house with DOA approval (Executive Order), and 3) Adjustments impacting elected officials.

In addition, this memo identifies those specific resources that are being utilized as offsets that have not been officially recognized by the Revenue Estimating Conference (REC).

**SIGNIFICANT CHANGES FROM ORIGINAL DOA PRESENTATION**

*Adjustments Being Presented For JLCB Approval*

**Department of Health & Hospitals (BA-7s Numbers 12, 13, 14)**

The initial SGF reduction on the Mid-Year Deficit Elimination Plan allocated to the Department of Health & Hospitals was \$5.34 M. This SGF savings was understated as additional Amnesty revenues not reflected in the original power point were used in Medical Vendor Payments (MVP). An additional \$2.1 M in Amnesty was swapped with State General Fund in MVP, for a total of \$34.2 M in Amnesty utilized to offset SGF cuts in Medicaid. The total State General Fund reduction for DHH is actually \$5.5 M.

Medicaid

Reduces SGF in the Department of Health & Hospitals, Medical Vendor Payments (MVP). Approximately 99% (\$126,445,728) of the State General Fund reduction is restored with a like amount of Statutory Dedications, which will not result in a reduction in services in FY 15. The impact on FY 16 will depend on additional SGF or other like revenues added to maintain the level of services supported by this funding. The balance of the State General Fund reduction (\$995,750) is not offset with other revenue sources, and will result in a reduction in payments to certain hospitals that receive Disproportionate Share Hospital (DSH) payments, Pediatric Day Health Care Providers, and program offices. The total SGF cut for FY 15 is \$127,015,128.

(\$127,441,478) - Total State General Fund reduction in MVP (09-306)

\$126,445,728 - Statutory Dedicated Funding added to offset SGF mid year cuts

(\$995,750) - Net State General Fund cut resulting in payment reductions to providers

The specific Statutorily Dedicated Funds used to replace SGF reductions are reflected below.

\$34,153,360 - Excess Amnesty Collections

\$7,919,155 - Health Excellence Fund

\$4,900,000 - Medical Assistance Trust Fund

\$79,473,213 - Excess Statutory Dedicated revenue from the Overcollections Fund\*

\$126,445,728 - Statutory Dedicated revenues used to offset SGF cut

*\*Note: Excess Statutory Dedicated revenue used to offset 99% of the State General Fund cuts include the following: 1) \$12.5 M in SGF reversions; 2) Agency self generated fund reversions (\$10.9 M OFI and \$17.7 M from Department of Insurance); 3) FEMA payments (\$6 M from Department of Corrections); 4) Excess balances swept from the Insurance Verification Fund (\$15 M) - The fund was created as a result of Act 641 of 2014 and receives funding from the increased fines for drivers that do not maintain automotive liability*

insurance; 5) Riverboat fund (\$5 M); 6) excess insurance reimbursement/settlement in ORM (\$12 M); 7) and remaining fund balances as a result of dissolution of the LA Office Building Corporation \$500,000).

#### **Transportation & Development (Operating) (BA-7 Numbers 9 & 10)**

In the Mid-Year Deficit Elimination Plan presented by Commissioner Nichols on November 21, DOTD was reported to be in line for an \$8.2 M operating budget reduction. The amount presented in the BA-7 reductions is \$6.1 M and reflects the elimination of an originally reported \$2.1 million reduction by freezing expenses for supplies for road maintenance and other non-essential spending.

#### **Transportation & Development (Capital Outlay) (BA-7 Number 35)**

The BA-7 package submitted for approval includes a reduction of \$9,042,000 in TTF-Regular from the DOTD – Capital Outlay Program that was not included in the original Mid-Year Deficit Elimination Plan presented on November 21. This reduction is assessed to the Highway Priority Program.

The reduction is associated with savings anticipated through the implementation of GEMS recommendations. DOTD reports that GEMS' DOTD initiative numbers 3 (reduced parish maintenance, project engineering, other offices and property), 4 (expand advertising revenue for roads, bridges and rest stops), 5 (reduce use of outside design and construction engineer contractors) and 9 (reduce cost overruns with Quality Assurance/Quality Control Engineering Team) will be used to generate the realized savings in the Highway Priority Program.

The LFO questions the feasibility that this amount of savings can be generated from the GEMS recommendations regarding the Highway Priority Program within the current fiscal year. The total Transportation Trust Fund - Regular (TTF-Regular) appropriated to the program totals \$34.2 M in FY 15. The projected savings, which the LFO assumes would be derived primarily through the use of in-house design and construction engineers, total 26.5% of the TTF-Regular appropriation to the Highway Program. Additionally, due to the nature of transportation capital funding, although an appropriation is made one fiscal year the complete expenditure of funds generally does not occur until subsequent fiscal years as projects must be designed, contracted and constructed. This process generally spans across several years.

The TTF-Regular appropriated in the current Capital Outlay budget provides for a match against federal funds of approximately 5.1% (\$34.2 M compared to \$668.5 M TTF - Federal). This budget adjustment will lower the TTF-Regular available to a match rate of approximately 3.7%. Factoring other means of finance appropriated to the FY 15 Highway Program will bring the adjusted match rate up to approximately 5.5% (\$4.9 M of prior balance G.O. Bonds, \$6.7 M of prior balance capital outlay cash, and \$25.1 M new level of TTF-Regular; or \$36.7 M total MOF compared to \$668.5 M TTF-Federal).

The limited match available to DOTD will result in the department focusing almost exclusively on pavement preservation on federal interstate highways. *Note: The most recent revenue forecast adopted by the Revenue Estimating Conference projects that TTF-Regular revenues in FY 15 will exceed existing appropriated levels by approximately \$16.5 M.*

#### **Department of Public Safety (BA-7 Number 11)**

As a result of the mid-year reduction, the Department of Public Safety – Office of State Police will have a means of finance (MOF) swap by reducing funding from the Riverboat Gaming Enforcement Fund by \$5.0 M and replacing it with \$5.0 M in Debt Recovery Fund. However, the current balance of the Debt Recovery Fund is \$0. The DOA's original presentation did not include this information. To the extent money collected from the Office of Debt Recovery is deposited into the fund, State Police will use that money to pay for the cadet academy. In the event money is not deposited into the fund, another source of funding would need to be identified to fund the cadet academy.

#### **LA Economic Development (LED) Debt Service (BA-7 Number 7)**

DOA's Mid-Year Deficit Elimination Plan presented to JLCB on 11/21/14 included a reduction of \$648,086 from LED's Debt Service/State Commitments in Schedule 20. The presentation by DOA did not identify the funding source of the reduction as STAT DED from the Rapid Response Fund. Furthermore, the presentation by DOA did not include an additional \$1.5 M reduction in SGF to LED's Debt Service/State Commitments in Schedule 20. The presentation by DOA stated that the proposed \$648,086 reduction to LED's Debt Service/State Commitments "should not hamper the Department's ability to attract new commitments." LED will absorb the \$648,086 Rapid Response Fund reduction from the fund's current unobligated balance of \$8.9 M and will fund a \$1.5 M payment to IBM that was funded with SGF prior to the Mid-Year cut with unobligated Rapid Response Funds until receiving a \$1.5 M SGR payment from City of Baton Rouge for IBM that is due in June. When the SGR payment from Baton Rouge for IBM is collected in June, the intent is to appropriate these funds in the Supplemental Bill to replenish the \$1.5 M paid to IBM from the Rapid Response Fund. However, LED is currently negotiating with companies for new economic development projects, and use of unobligated Rapid Response Funds to absorb Mid-Year budget cuts will likely result in a shortfall in the Rapid Response Fund by the end of FY 15.

#### **Education (BA-7 Numbers 32 & 33)**

The Mid-Year Deficit Elimination Plan presented to JLCB on 11/21/14 indicated total reductions to

the Department of Education of \$5.65M; actual reductions total \$7.4 M, which includes the following additional adjustments:

\$669,411 increase in Statutory Dedications from the Education Excellence Fund and simultaneously reduces funding by a like amount. This represents a 5% reduction from the FY15 appropriated amount. Per DOA, there is currently an un-appropriated balance of \$967,831. The mid-year reduction will leave a balance of \$298,420. The funding provides Pre-K through 12th grade instruction enhancements for students, including early childhood education programs focused on enhancing preparation of at-risk children for school, remedial instruction and assistance to children who fail to achieve required scores on tests necessary for advancement to succeeding grade. Expenditures for maintenance or renovation of buildings, capital improvements and increases in employee salaries is prohibited. Reducing the un-appropriated fund balance will not impact actual program expenditures, which are budgeted at \$13.9 M.

\$1,123,045 increase in Statutory Dedications from the Lottery Proceeds Fund to the Minimum Foundation Program (MFP). The DOA will process an in-house BA-7 reducing SGF by a like amount. The amount is based on a projected end of the year fund balance pursuant to the revised REC forecast.

#### **Department of Culture, Recreation & Tourism (BA-7 Number 8)**

Reduction of salary and related benefits in the amount of \$26,450 due to the elimination of a vacant Public Information Officer position within the Seafood Promotion Board in the Office of the Secretary. As the donated funding for the Seafood Promotion Board begins to decline, the attempts at outreach are much less frequent, removing the need for a public information officer. This reduction is not expected to impact performance of the Office of the Secretary as every major office within CRT still has a public information officer to perform their required duties. In addition, there is anticipated to be \$159,019 of additional SGF reductions to be processed in-house.

#### **Governor's Office of Coastal Protection & Restoration (CPRA) (BA-7 Number 3)**

Reductions from the statutorily dedicated Coastal Protection & Restoration Fund are as follows:

Hiring Freeze (\$53,355) - The mid-year reduction plan cuts 2 positions and associated funding for the remainder of the fiscal year in the amount of \$53,355. The annualized salary and related benefits reduction will be \$106,710. These positions have not been identified, but could be either engineering or scientist positions. There are currently 9 vacancies within CPRA.

Expenditure Freeze (\$894,343) – The mid-year reduction plan reduces supplies by \$28,096, overtime for disasters by \$116,247, and commitments to levee boards by \$750,000. Originally \$1 M was budgeted for levee boards to help with project startup costs and operating, maintenance, and monitoring costs. Levee boards will now receive up to \$250,000. The projects associated with the boards have not been identified and the reduction in funding currently has no impact on the boards.

#### **LA Public Defender Board (BA-7 Number 4)**

(\$22,320) from the LA Public Defender Fund: This mid-year reduction to Personnel Services is a part of the Limited Hiring Freeze pursuant to Executive Order BJ 2014-1. The reduction of one (1) position from the T.O. is the Trial-Level Compliance Officer (TCO), who monitors compliance with Board-adopted standards and guidelines of counsel at the district level. The position has been vacant since January 2014. LPDB personnel currently perform this position's duties to the extent that they are able and necessary. The total reduction is \$22,230 from the statutorily dedicated LA Public Defender Fund.

#### **TOPS (BA-7 Number 30)**

DOA's Mid-Year Deficit Elimination Plan presented to JLCB on 11/21/14 included a revenue opportunity of \$4.9 M from the TOPS Fund from "available balance as recognized by REC", but did not include a related means of financing substitution replacing SGF (\$4,946,681) with a like amount from STAT DED from the TOPS Fund for TOPS awards. The reduction in the TOPS Fund is based on \$7,498,361 in excess funds carried forward from FY 14 and a reduction in the Revenue Estimating Conference (REC) projection for the TOPS Fund of \$2,551,680 producing a net estimated balance in the TOPS Fund of \$4,946,681 in FY 15. Using TOPS funds in the current year leave less resources to fund a \$22 M SGF MOF Swap in FY16 replacing tobacco restructuring/refinancing proceeds. The ST DED funds from the TOPS Fund will not be available until the REC recognizes the excess resources available for the TOPS Fund.

#### ***Adjustments That Are Anticipated To Be Processed By DOA In-house***

#### **Department of Military Affairs (DOA in-house BA-7)**

(\$205,000) in SGF: This mid-year reduction to Personnel Services is a part of the Limited Hiring Freeze pursuant to Executive Order BJ 2014-1. The reduction of five (5) positions from the T.O. relate to Force Protection (3 positions) and two (2) other positions. Military Affairs requested that these positions be frozen until FY 16 because they are essential to readiness and security. Currently, Military Affairs has 98 positions allocated for Force Protection and this allocation is at a critical level with little or no flexibility to effectively carry out its mission as there are more demands being placed on its programs; also, deployments will continue in the upcoming years. Over 90% of force protection personnel are active guardsmen. Military Affairs plans to address the reduction through



attrition. The two (2) other positions are a Forestry Management program vacancy funded with self-generated revenues, and an Emergency Management Coordinator vacancy funded with federal monies.

(\$154,000) in SGF: This mid-year reduction to the Department of Military Affairs is a part of the Executive Branch Expenditure Freeze pursuant to Executive Order BJ 2014-16.

- (\$135,000): Readiness Center repairs, totaling 5% of Military Affairs’ funding for these repairs
- (\$12,000): Contracts for Storefront Recruiting Leases, Sustainment/ Restoration/Maintenance Consulting, Professional Services, and Readiness Center Major Repairs. These contracts provide essential services to the Military Affairs Program's operation requirements. To reduce these contract services would have a negative impact on readiness; therefore, the Military Department will not award future service contracts to address the reduction.
- (\$7,000): Youth Challenge Program project to install insulation in one of the program classrooms as a means to prevent condensation and mildew buildup, as well as lower utility costs. The YCP will postpone the project to address this reduction.

**Department of Veterans’ Affairs (DOA in-house BA-7)**

(\$240,000) in SGF: This mid-year reduction to Personnel Services in the Department of Veterans’ Affairs is a part of the Limited Hiring Freeze pursuant to Executive Order BJ 2014-1. The freeze affects 11 positions, which will be held vacant to the extent it is necessary until FY 16. These positions will not be eliminated. The total reduction is \$240,000 of State General Fund. Savings are derived from the salaries and benefits related to these positions. Freezing of these vacancies would not be detrimental to Veterans’ Affairs operations at this time.

Of the positions, six (6) are in the Department of Affairs’ Cemetery Program. The Department was already filling these positions on an as-needed basis, and there is currently no need to fill them at this time. The Department of Veterans Affairs plans to fill these vacancies in FY 16. Three (3) of the positions are located in Veterans Affairs’ Contact Assistance Program (CAP). Currently CAP staff is performing the duties of these positions to the extent that they are able. The Department of Veterans Affairs will hold these positions and will only attempt to fill them before the end of FY 15 if a need arises. Two (2) of the positions are located in Veterans Affairs’ Administrative Program. Currently Administrative Program staff is performing the duties of these positions to the extent that they are able. The Department of Veterans Affairs will hold these positions and will only attempt to fill them before the end of FY 15 if a need arises.

*The Mid-Year Deficit Elimination Plan presented to JLCB on 11/21/14 did not include reductions to the budgets of the Elected Officials, which include the following:*

**Department of Agriculture & Forestry (DOA in-house BA-7)**

A total reduction of \$208,316 in SGF to the Department of Agriculture and Forestry from the following: a \$33,331 reduction in personnel services as a result of attrition in the Animal Health and Food Safety Program. A \$79,160 reduction in operating services in the Management and Finance Program which will impact IT services, as well as other operating services. A \$85,410 reduction in fuel supplies in the Forestry Program since fewer fires have occurred in FY 15. A \$10,415 reduction in professional services in the Agricultural and Environmental Sciences Program due to savings from a lawsuit that is being settled.

**Department of Insurance (DOA in-house BA-7)**

This reduction eliminates funding associated with six vacant insurance specialist positions and eliminates 3 vacant T.O. positions. LDI reports the positions are in the Market Compliance Program and will have no impact on agency operations in the current year.

**REC Approval Needed**

Certain items under consideration for an offset of midyear cuts have not yet been officially recognized by the Revenue Estimating Conference, which is required prior to appropriation, per Act 419 of 2013.

| <b>Funds Requiring REC Recognition</b>       | <b>(in millions)</b> |
|--|----------------------|
| Insurance Verification Fund                  | \$15.0               |
| Risk Management Proceeds                     | \$12.0               |
| LA Office Building Corporation               | \$0.5                |
| Riverboat Gaming Enforcement Fund            | \$5.0                |
| <b>Total Overcollections Fund</b>            | <b>\$32.5</b>        |
| <b>2013 Tax Amnesty Fund</b>                 | <b>\$10.7</b>        |
| <b>Total Funds Requiring REC Recognition</b> | <b>\$43.2</b>        |

Transfers of recognized funds to the Overcollections Fund for appropriation will require an increase in the Overcollections Fund forecast due to these transfers, should the Conference agree that the money is actually available.

Additionally, \$5 M in existing SGF revenue from tax collections has been requested for transfer into the Debt Recovery Fund. The

BA-7 for the Department of Justice requiring JLCB approval will appropriate this money from the Debt Recovery Fund to the Office of State Police for a training academy. However, until the dedication of SGF is officially recognized with the approval of the BA-7, \$5M will be appropriated twice in the budget, both as SGF and Debt Recovery Fund appropriations.